

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 DODE-00 PA-01 L-03 /093 W
-----084469 121705Z /42
P 121627Z MAY 78
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC PRIORITY 8424

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E.O. 11652: N/A
TAGS: EINV, NI
SUBJECT: IBM TO PHASE OUT NIGERIAN OPERATION

REF: STATE 120445

1. IN CALL UPON AMBASSADOR THIS MORNING, IBM REPS HEINRICHS, SCHMID AND DEY STATED THAT COMPANY WAS REMOVING ITS EQUITY BUT WAS REALLY NOT "WITHDRAWING" FROM NIGERIA. IT WAS NEGOTIATING WITH THREE OR FOUR INTERNATIONAL COPORATIONS TO HAVE ONE ACT AS AGENT FOR IBM SERVICES AND NEW PRODUCTS. REPRESENTATIVES EMPHASIZED THAT IBM WOULD ENSURE CONTINUITY OF PRODUCT SALES AND SERVICING TO ALL CUTOMERS. THIS PROCEDURE HAD BEEN FOLLOWED SUCCESSFULLY ON SMALL SCALE IN EASTERN EUROPE AND MIDDLE EAST.

2. IBM WAS UNABLE TO COME TO AGREEMENT WITH FMG/TO SHARE OWNERSHIP WITH NIGERIANS BECAUSE COMPANY WANTS ITS AGENT TO BE RESPONSIBLE FOR ALL IBM OPERATIONS PERFORMED HERE. COMPANY BELIEVES IT ESSENTIAL THAT ONGOING BUSINESS BE TRANSFERRED INTACT AS ONE COMBINED UNIT. NO EQUITY IS BEING SOLD. EXISTING NIGERIAN SUBSIDIARY WILL BE LIQUIDATED AND ACTIVITIES TRANSFERRED TO AGEN REPLACEMENT. INVENTORY OF
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SPARE PARTS AND DATA CENTER WILL BE SOLD AND SERVICING RESPONSIBILITIES WILL BE HANDED OVER.

3. UP TO NOW IBM HAS NOT DIRECTLY SEEN ANY NEGATIVE REACTION. MINISTRY OF INDUSTRIES COMMISSIONER ADELEYE WAS DESCRIBED AS BEING SYMPATHETIC THROUGHOUT COMPANY'S LONG EFFORT TO RECEIVE EXEMPTION TO INDIGENIZATION DECREE. COMPANY HAS NOW EMPHASIZED TO HIM

THAT IT IS FOLLOWING ORDERLY LEGAL PROCEDURE IN REMOVING ITS EQUITY FROM COUNTRY. WHEN IBM MENTIONED MAY 2 "PUNCH" ARTICLE CRITICIZING FIMRS WHO LEAVE NIGERIA RATHER THAN COMPLY WITH INDIGENIZATION DECREE, ADELEYE EXPRESSED CONCERN OVER WRONG INTERPRETATION THAT ARTICLE PROMULGATED. COMPANY HAS BEEN ADVISED TO CONFER WITH CIC ON THE PHASE OUT AND THERE ARE INDICATIONS THAT LATTER ORGANIZATION MIGHT VOICE ITS DISPLEASURE OVER THE MOVE.

4. DEY STATED HIS PERSONAL VIEW THAT APPROACH TAKEN BY IBM IN NIGERIA WOULD PROBABLY BE COPIES IN NUMBER OF SMALL COUNTIRES IN WHICP IBM HAS EXISTING BRANCHES. THE COMPANY WOULD INCREASINGLY WORK THROUGH LOCAL AGENTS MAKING THE OPERATION LESS ENCUMBERED BY IBM BUREAUCRACY AND LESS ENDANGERED BY GROWING NATIONALISTIC SENTIMENTSIN HOST COUNTRIES.

5. EMBASSY AND IBM WILL WORK TOGETHER IN MONITORING NIGERIAN REACTION TO CLOSE-OUT. RESIDENT REPRESENTATIVE SCHMID WILL POOL HIS FINDINGS WITH OURS ON CONTINUING BASIS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REORGANIZATIONS, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LAGOS05961
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780202-0800
Format: TEL
From: LAGOS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780565/aaaacdaj.tel
Line Count: 82
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 23db16a0-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 120445
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2709230
Secure: OPEN
Status: NATIVE
Subject: IBM TO PHASE OUT NIGERIAN OPERATION
TAGS: EINV, BGEN, NI, IBM
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/23db16a0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014